

ASSOCIATED HOSPITAL SERVICES, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/14/10

**ASSOCIATED HOSPITAL SERVICES, INC.**

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# PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants  
Management Consultants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Associated Hospital Services, Inc.

We have audited the accompanying balance sheets of Associated Hospital Services, Inc. as December 31, 2009 and 2008, and the related statements of operations, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Associated Hospital Services, Inc. at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2010, on our consideration of Associated Hospital Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

*Pailet Meunier and LeBlanc, L.L.P.*  
Metairie, Louisiana  
April 16, 2010

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**ASSOCIATED HOSPITAL SERVICES, INC.**

**BALANCE SHEETS**

**DECEMBER 31,**

**ASSETS**

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,284,950	\$ 38,408
Accounts Receivable	771,509	630,639
Inventory:		
Linen Rentals	326,217	258,439
Prepaid Expenses and Other Assets	64,415	30,071
Income Taxes Receivable		
Deferred	<u>349,370</u>	<u>928,489</u>
<b>Total Current Assets</b>	<u><b>3,796,461</b></u>	<u><b>1,886,046</b></u>
 Investments	 715,046	 250,180
 <b>Fixed Assets</b>		
Property, Plant, and Equipment		
Land	248,724	248,724
Buildings	2,427,661	2,427,661
CBWS, Machinery, and Equipment	6,110,246	4,418,032
Office Equipment and Furniture	<u>59,114</u>	<u>57,346</u>
<b>Total Property, Plant, and Equipment</b>	<u><b>8,845,745</b></u>	<u><b>7,151,763</b></u>
Less Accumulated Depreciation	<u>(4,306,950)</u>	<u>(4,098,981)</u>
<b>Total Fixed Assets</b>	<u><b>4,538,795</b></u>	<u><b>3,052,782</b></u>
 <b>TOTAL ASSETS</b>	 <u><b>\$ 9,050,302</b></u>	 <u><b>\$ 5,189,008</b></u>

**LIABILITIES AND MEMBERS' EQUITY**

<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 2,321,270	\$ 378,144
Amounts due within one year on executive severance package	<u>-</u>	<u>73,437</u>
<b>Total Current Liabilities</b>	<u><b>2,321,270</b></u>	<u><b>451,581</b></u>
 <b>DEFERRED INCOME TAXES</b>	 <u><b>609,020</b></u>	 <u><b>171,521</b></u>
 <b>MEMBERS' EQUITY:</b>		
Paid In Capital	3,496,387	3,496,387
Retained Earnings	<u>2,623,625</u>	<u>1,069,519</u>
<b>Total Members' Equity</b>	<u><b>6,120,012</b></u>	<u><b>4,565,906</b></u>
 <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	 <u><b>\$ 9,050,302</b></u>	 <u><b>\$ 5,189,008</b></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

ASSOCIATED HOSPITAL SERVICES, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,

	<u>2009</u>	<u>2008</u>
REVENUES	\$ 5,178,551	\$ 4,520,480
COSTS AND EXPENSES	<u>5,036,056</u>	<u>4,716,418</u>
INCOME (LOSS) FROM OPERATIONS	<u>142,495</u>	<u>(195,938)</u>
OTHER INCOME (EXPENSE)		
Interest Income	43,251	55,049
Miscellaneous Income	2,425,000	-
Interest Expense	(2,356)	(6,752)
Gain(Loss) on Securities	<u>(12,957)</u>	<u>(9,601)</u>
Total Other Income (Expense)	<u>2,452,938</u>	<u>38,696</u>
INCOME BEFORE INCOME TAXES	<u>2,595,433</u>	<u>(157,242)</u>
INCOME TAX EXPENSE (BENEFIT):		
Deferred	<u>1,041,327</u>	<u>(48,878)</u>
Total	<u>1,041,327</u>	<u>(48,878)</u>
NET INCOME (LOSS)	<u>\$ 1,554,106</u>	<u>\$ (108,364)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

ASSOCIATED HOSPITAL SERVICES, INC.

STATEMENTS OF MEMBERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
BALANCE - JANUARY 1, 2008	\$ 3,496,387	\$ 1,177,883	\$ 4,674,270
NET INCOME	<u>-</u>	<u>(108,364)</u>	<u>(108,364)</u>
BALANCE - DECEMBER 30, 2008	3,496,387	1,069,519	4,565,906
CONTRIBUTED CAPITAL	-	-	-
NET INCOME	<u>-</u>	<u>1,554,106</u>	<u>1,554,106</u>
BALANCE - DECEMBER 31, 2009	<u>\$ 3,496,387</u>	<u>\$ 2,623,625</u>	<u>\$ 6,120,012</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**ASSOCIATED HOSPITAL SERVICES, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
NET INCOME/(LOSS)	\$ 1,554,106	\$ (108,364)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	389,506	450,876
Deferred income tax expense	1,016,618	(87,012)
(Gain)/Loss on sale of equipment	4,851	-
Executive severance package	(73,437)	(69,171)
Changes in operating assets and liabilities:		
Accounts receivable	(140,870)	8,698
Income taxes receivable	-	35,307
Inventory	(67,779)	(104,012)
Prepaid expenses and other assets	(34,344)	12,993
Accounts payable and accrued expenses	<u>1,943,126</u>	<u>(360,963)</u>
Net Cash provided by operating activities	<u>4,591,777</u>	<u>(221,648)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash Payments for purchase on Investments	(464,866)	(250,180)
Purchases of property, plant and equipment	<u>(1,880,369)</u>	<u>(52,272)</u>
Net cash provided by investing activities	<u>(2,345,235)</u>	<u>(302,452)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,246,542	(524,100)
<b>CASH AND CASH EQUIVALENTS - December 31, 2008</b>	<u>38,408</u>	<u>562,508</u>
<b>CASH AND CASH EQUIVALENTS - December 31, 2009</b>	<u>\$ 2,284,950</u>	<u>\$ 38,408</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION - Cash paid during the year for:</b>		
Interest	<u>\$ 2,356</u>	<u>\$ 6,752</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**ASSOCIATED HOSPITAL SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** – Associated Hospital Services, Inc. (the “Company”) is organized as a voluntary cooperative laundry operated for the benefit of its member-owner hospitals which are currently Jefferson Parish Hospital Service District No. 1 (West Jefferson Medical Center) and Jefferson Parish Hospital Service District No. 2 ( East Jefferson General Hospital).

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents** – The Company considers all highly liquid investments with a maturity of three months or less or a cancelable term when purchased to be cash equivalents.

**Inventory** – Inventory consists of rental inventory, which are stated at amortized cost based on estimated usages using industry averages and actual uses.

**Property, Plant and Equipment** – Property, plant and equipment is stated at cost. For financial reporting purposes, the Company provided depreciation for its building and improvements using the straight-line method and uses the double-declining balance and straight-line methods for its equipment, with useful lives ranging from 3 to 31.5 years. The Company uses various other cost recovery methods for federal income tax purposes.

**Income Taxes** – The Company uses the liability method of accounting for income taxes in which tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse.

**2. CASH AND CASH EQUIVALENTS**

The Organization occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is mitigated by maintaining all deposits in high quality financial institutions. These deposits are stated at cost, which approximates market. The Organization had \$2,298,096 and \$56,335 in deposits (collected bank balances) as of December 31, 2009 and 2008, respectively. These deposits are secured from risk by \$250,000 of federal deposit insurance and \$0 of pledged securities. The Organization maintained cash balances in excess of the FDIC Insurance by \$2,048,096 and \$0 as of December 31, 2009 and 2008, respectively. The Organization has not experienced any losses and does not believe it is exposed to any significant credit risk on cash balances.



# ASSOCIATED HOSPITAL SERVICES, INC.

## NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

### 2. CASH AND CASH EQUIVALENTS (continued)

At December 31, 2009 and 2008 the Organization has cash and cash equivalents (book balances) totaling \$2,284,950 and \$38,409, respectively, as follows:

	<u>2009</u>	<u>2008</u>
Operating Account	\$ 273,698	\$ (2,531)
Savings Account	2,002,337	0
Cash Equivalents	8,915	40,940
Total	<u>\$ 2,284,950</u>	<u>\$ 38,409</u>

### 3. PROPERTY, PLANT, AND EQUIPMENT

A summary of property, plant, and equipment and depreciation are as follows as of December 31, 2009 and 2008, respectively:

	<u>2009</u>	<u>2008</u>
Land	\$ 248,724	\$ 248,724
Office Equipment and Furniture	59,114	57,346
CBWS, Machinery, and Equipment	6,110,246	4,418,032
Buildings	<u>2,427,661</u>	<u>2,427,661</u>
Total Property, Plant, and Equipment	8,845,745	7,151,763
Accumulated Depreciation	<u>4,306,950</u>	<u>4,098,981</u>
Net Property, Plant, and Equipment	<u>\$ 4,538,795</u>	<u>\$ 3,052,782</u>
Depreciation	<u>\$ 389,506</u>	<u>\$ 450,876</u>

### 4. INTEREST EXPENSE

Interest expense relating to short term debt - line of credit and executive severance in the amount of \$2,356 was paid in 2009 and interest expense amounting to \$6,752 was paid in 2008 relating to executive severance.

**ASSOCIATED HOSPITAL SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**5. INCOME TAXES**

The tax effects of significant components of the Company's deferred tax assets and liabilities as of December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Deferred tax assets:		
Executive severance package	\$ -	\$ 27,906
State net operating loss	51,032	92,685
Federal net operating loss	147,959	666,205
General business credit	54,267	54,267
Prepaid insurance	24,478	11,426
Charitable contributions	<u>71,634</u>	<u>76,000</u>
Total deferred tax assets	<u>349,370</u>	<u>928,489</u>
Deferred tax liabilities:		
Property, plant and equipment	<u>609,021</u>	<u>171,521</u>
Total deferred tax liabilities	<u>609,021</u>	<u>171,521</u>
Net deferred tax liabilities	<u>\$ (259,651)</u>	<u>\$ 756,968</u>

The Company's 2009 and 2008 effective tax rates differ from the statutory rate primarily due to the nondeductibility of certain expenses, including amounts relating to meals and entertainment.

Net operating loss carryforwards aggregating approximately \$1,275,813 for State purposes expire between 2012 and 2021. Federal net operating loss carryforwards aggregating approximately \$389,365 expire between 2024 and 2026. Federal general business tax credits in the amount of \$54,267 may be used only against income tax liabilities. Under current federal tax law, charitable contributions in the amount of \$188,511 may be carried forward and utilized as a limited deduction against income.

**6. RETIREMENT PLAN**

In 2002, the Company started a 401(k) plan for its employees. The Company matches 100% of the employee's first 3% of salary contributed and ½% for the 4th% and 5th% of salary contributed. The Company's contributions for each of the years ended December 31, 2009 and 2008 were approximately \$43,167 and \$40,701, respectively.

**ASSOCIATED HOSPITAL SERVICES, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2009 AND 2008**

**7. RELATED PARTY TRANSACTIONS**

The Company operates as a laundry facility and a centralized linen purchaser for members and other third parties. Revenues derived from member transactions for each of the years ended December 31, 2009 and 2008 were \$2,598,984 and \$2,666,442 respectively.

Included in accounts receivable are receivables and finance charges from members of approximately \$351,607 and \$365,696 at December 31, 2009 and 2008, respectively. Receivables are not collateralized.

**8. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. Substantially all of the Company's receivables are due from hospitals, doctors and other health care institutions. The Company manages the receivables by regularly reviewing its accounts and contracts and by providing appropriate allowances for uncollectible amounts when necessary. Credit losses have not been significant.

In addition to revenues derived from members (see Note 5), approximately \$1,143,950 and \$1,200,000 of revenues were derived from one third-party customer during the years ended December 31, 2009 and 2008 respectively.

**9. EXECUTIVE SEVERANCE PACKAGE**

Effective December 31, 2004, the Company entered into a severance agreement with its former Chief Executive Officer the terms of which require the Company to pay ten equal semi-annual installments of \$38,400 each January 1 and July 1 commencing January 1, 2005. As of July 1, 2009 the severance agreement has been paid in full.

**10. HURRICANE KATRINA**

On August 29, 2005 Hurricane Katrina struck New Orleans. Associated Hospital Services, Inc.'s plant was impacted by flooding and wind damage and was closed until April, 2006. During that time a number of customers were lost and have not been replaced. Services were provided to those existing and continuing customers through the use of other contracted laundry facilities. Associated Hospital Services, Inc. suffered casualty losses of destroyed fixed assets amounting to a book value of \$1,503,525. Insurance proceeds amounting to \$200,000 were collected in 2005, \$1,315,689 in 2006 and \$180,541 in 2007.

On April 2, 2009, the Company received a \$2,425,000 payment which represented a full and complete payment for all claims known or unknown for property damage, business interruption, extra expense, lost wage, punitive damages, vandalism, theft, bad faith, etc. These funds were paid for claims under the Insurance policy the company maintained with American Zurich Insurance for damages alleged to have been sustained due to Hurricanes Katrina and Rita.

ASSOCIATED HOSPITAL SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

11. LEASES

Ryder Truck Lease & Service Agreement

Operating lease rental expense relating to the rental of delivery trucks was approximately \$75,100 for the year ended December 31, 2009 and approximately \$73,504 for the year ended December 30, 2008.

Minimum lease payments are as follows:

2010	\$ 62,849
2011	31,319
2012	29,957
2013	29,957
2014	29,957
Total	<u>\$ 184,039</u>

12. SUBSEQUENT EVENTS

FASB Accounting Standards Codification Topic 855, "Subsequent Events" addresses events which occur after the balance sheet date but before the issuance of financial statements. An entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that existed after the balance sheet date. Additionally, Topic 855 requires disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued. Management evaluated the activity of Associated Hospital Services, Inc. through April 16, 2010, the date the financial statements were issued, and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

# PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants

Management Consultants

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Associated Hospital Services, Inc.

We have audited the financial statements of Associated Hospital Services, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated April 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Associated Hospital Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Associated Hospital Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Legislative Auditor, audit committee, management, others within the organization and grant awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Palet Meunier and Le Blanc, L.L.P.*

Metairie, Louisiana

April 16, 2010

# PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants  
Management Consultants

April 16, 2010

Mrs. Jennifer Elsensohn  
Associated Hospital Services, Inc.  
New Orleans, LA

We have audited the financial statements of Associated Hospital Services, Inc. for the year ended December 31, 2009, and have issued our report thereon dated April 16, 2010. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 12, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on November 12, 2009.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Property Insurance Association of Louisiana are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Mrs. Jennifer Eisensohn  
April 16, 2010  
Page 2

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 16, 2010.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As discussed in our report, dated April 16, 2010, on our consideration of internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, we noted no significant deficiency in internal control exists:

This information is intended solely for the use of the owners and management of Associated Hospital Services, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

*Pailet, Meunier and LeBlanc, L.L.P.*

Pailet, Meunier & LeBlanc, L.L.P.  
Metairie, Louisiana



# PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants

Management Consultants

April 16, 2010

Mrs. Jennifer Elsensohn  
Associated Hospital Services, Inc.  
New Orleans, LA

We appreciate the opportunity to conduct your audit this year. As we've discussed with you previously, we are writing to you as we complete the audit to communicate any control deficiencies we identified during the audit and determined to be significant deficiencies or material weaknesses. This communication is a requirement of the new auditing standard: **Statement on Auditing Standards (SAS) 115: Communicating Internal Control Related Matters Identified in an Audit**. The new standard applies to the audits of any financial statements with periods ending on or after December 15, 2009.

In planning and performing our audit of the financial statements of the Associated Hospital Services, Inc. below, as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We are always available to answer any questions that you may have related to the control deficiencies we identified during your audit or discuss any options you have for remedying them if you would like to do so.

We appreciate the opportunity to conduct your organization's audit.

*Pailet, Meunier and LeBlanc, L.L.P.*  
Metairie, Louisiana  
April 16, 2010

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